Housing

Guidance paper

audit commission

ALMO inspections and the delivery of excellent housing management services

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1

Introduction

1 This guidance sets out the Housing Inspectorate's expectations of organisations delivering excellent/3 star housing management services and the criteria we use to inspect ALMO governance arrangements. It replaces the guidance issued in August 2001 *(The Housing Inspectorate's Framework for Assessing Excellence in Housing Management)* and June 2002 *(ALMO inspections: Housing Inspectorate Advice for Local Authorities and their ALMOs)*.

2 It follows the Government's decision to encourage local authorities in England to set up arm's length management arrangements (ALMOs)[I] to manage their housing services. The overall objective is to deliver better housing services to council tenants and others, and to provide all social housing tenants with decent homes by 2010. The Government's policy is being promoting by the Office of the Deputy Prime Minister and was re-affirmed in the Sustainable Communities Plan **(Ref. 1)** in February 2003. It applies to English local authorities only.

3 Any local authority can set up an ALMO (subject to the Secretary of State's agreement) to delegate its housing management function. However, the Government has decided that authorities pursuing this option can secure additional capital funding if they are accepted onto the ALMO programme and the new arm's length body receives a 'good' or 'excellent' rating from the Housing Inspectorate for its current services.

4 Inspections of round 2 ALMOs start in April 2003. We needed to update the guidance in the light of changes in Government policy and lessons learnt from the inspections of round 1 ALMOs in September and October 2002. The guidance incorporates:

- our expectations of ALMOs as service delivery vehicles;
- how we expect these new bodies to relate to their local authority partners and to govern their own affairs; and
- specific advice on round 2 ALMO inspections starting in April 2003.

5 If you have read our earlier guidance, most of this document will be familiar. What we look for, and at, in inspections remains generally the same. However, we have made changes to the questions we use in assessing 'prospects for improvement' and there is more detail in the questions we ask to help us assess excellence (Appendices 1 and 2). We consulted the ALMO's new trade body (the National Federation of ALMOs) about the contents of this guidance. The NFA can be contacted through the offices of the Housing Quality Network.[II]

I ALMOs are companies set up by a local authority to manage, maintain and improve its housing stock. The local authority remains the landlord and council tenants remain secure tenants of the authority. An ALMO does not trade for profit and is managed by a board of directors comprising council representatives, elected tenants and independent members, usually on a one-third/one-third/one-third basis. Throughout this guidance we will use the term arm's length management organisation (shortened to ALMO) as a designation for these bodies.

II The NFA's affairs are administered through the Housing Quality Network which can be contacted at 8-9 York Place, Scarborough, North Yorkshire YO11 2NP (www.hqnetwork.org.uk).

6 This guidance is divided into the following sections:

- a review of the background to the Government's proposals;
- the framework which the Housing Inspectorate will use to assess excellence in housing management;
- the context under which the Housing Inspectorate will inspect ALMOs; and
- the approach the Housing Inspectorate will use to inspect local authorities and ALMOs.

7 If there are any points you would like to raise about our approach, please contact:

Roger Jarman or **Graeme Bennett** at 33 Greycoat Street, London SW1P 2QF, telephone: 020 7828 1212. Their email addresses are: *r-jarman@audit-commission.gov.uk* and *g-bennett@audit-commission.gov.uk*.

8 You may obtain further copies of this document from the Audit Commission's helpline on 020 7396 1494. You can download copies from the Audit Commission's website: *www.audit-commission.gov.uk*. It can be found in the Policy and Practice section of the Housing Inspection page.

March 2003

2

Background

Policy framework

9 In April 2000 the Government's Housing Green Paper **(Ref. 2)** set out wide-ranging proposals to improve both the quality and choice of housing for people living in England. The Green Paper acknowledged that the estimated cost of bringing local authority housing up to a decent standard was £19 billion and that it would take ten years to tackle disrepair in the sector.

10 The Government identified several ways of boosting investment in social housing to meet this target. These included an accelerated programme of stock transfer, the promotion of the Private Finance Initiative (PFI) for local authority housing, and additional funding for local authorities that set up arm's length management arrangements and deliver high-quality housing services. The Deputy Prime Minister's Sustainable Communities Plan **(Ref. 1)** confirmed that these provisions remained at the heart of the Government's proposals to boost investment in the social housing sector.

11 The Community Housing Task Force (CHTF, part of the ODPM) was created in May 2001 to assist local authorities, tenants and acquiring registered social landlords (RSLs) through the process of stock transfer. Since then, CHTF work has been extended to include advice on ALMOs and stock options.[I] An authority considering setting up an ALMO should make contact with the CHTF as early as possible; the CHTF will provide them with advice and support through the whole stock options process.

12 The ALMO initiative provides additional capital investment for housing that remains in local authority ownership. It is 'for authorities which have set up arm's length arrangements, demonstrated excellence[II] in their performance under the new Best Value regime and met certain other criteria' (paragraph 4.7, *Green Paper Implementation Plan, Quality and Choice: A Decent Home for All*, DETR/DSS December 2000). The funding is currently in the form of additional Housing Revenue Account subsidy that is made available to support borrowing.

13 To access this additional funding an authority must:

- have established an ALMO to manage its housing stock and associated investment; and
- have provided a clear plan showing how it proposes to move to a structure of rents and a lettings scheme that is in line with the reforms agreed following the Housing Green Paper (paragraph 7.40, Ref. 2).

I Stock options are robust appraisals of the long-term future of a council's housing stock. They should consider financial costs, impact on service delivery, and delivery of 'decent homes'. They should identify the option that best fits local circumstances and delivers additional investment where this is needed.

II The original requirement was that ALMOs must obtain an 'excellent' rating from the Inspectorate. The ODPM amended this to 'good' in July 2002.

and the ALMO must:

- have demonstrated sound financial planning and management and long-term financial viability through a high-quality business plan; and
- have demonstrated a high level of performance as measured against the Best Value national housing indicators and an 'excellent' rating following a Best Value housing inspection (see footnote II, page 4).

14 In December 2001, the Government published a White Paper *Strong Local Leadership – Quality Public Services* **(Ref. 3)** in which it outlined proposals to streamline Best Value reviews and inspection in order to focus on poorer-performing authorities. The ODPM has confirmed that ALMOs will need to review all key services transferred to ALMOs. It is still considering the position of local authorities that achieve an 'excellent' Comprehensive Performance Assessment (CPA) rating.

15 The ODPM's PSA Plus Review **(Ref. 4)** considered the progress of the ALMO programme and made a number of recommendations specific to ALMOs:

- the ODPM should learn from the inspections of the Housing Inspectorate and feed them into the processes and checks in the ALMO programme before consent is given by the Secretary of State;
- the ODPM should revise the management of the ALMO programme to reduce uncertainty and improve incentives to improve service delivery and to encourage partial ALMOs; and
- the ODPM should develop a self-financing approach for 3 star ALMOs (ALMO PLUS) as part of the move to a full prudential borrowing regime. This is intended to leave the ALMO greater freedom to run its business.

16 In view of the above, the Inspectorate and the ODPM are currently considering how best to monitor and assess ALMOs' performance in the longer term. This work will include clearer definition of the differences between 'good' and 'excellent' services and how ALMOs can move from one to the other to access the extra freedoms available.

17 In July 2000, following the Comprehensive Spending Review (CSR), the Government announced the resources it would make available to high-performing ALMOs and their partner authorities. £160 million was made available in 2002/03 and a further £300 million in 2003/04. In round 1, eight authorities were given conditional allocations for 2002/03 and 2003/04, and in round 2 a further thirteen were given conditional allocations for years 2003/04 and 2004/05. These allocations will provide additional resources in the first two years of their 'decent homes' delivery programmes.

18 Under the 2002 CSR, the Government agreed to further funding of the ALMO initiative. In February 2003 the ODPM announced a total of £1.994 billion to be spent between April 2003 and March 2006. This will continue funding the programmes run by rounds I and 2 as well as providing at least £700 million of new resources for ALMOs in rounds 3 and 4.

19 Authorities interested in applying for round 3 need to express an interest by 4 April 2003, and make a formal bid by 16 May 2003. Round 4 expressions of interest are due in by 26 September and bids by 31 December 2003.

20 As outlined in the Green Paper, the former DTLR consulted local authorities and other interested parties on a range of matters linked to the creation of ALMOs in local authority housing **(Ref. 5)**. The Department first published guidance on the arm's length management of local authority housing in April 2001 **(Ref. 6)** and the ODPM updated this in March 2003 **(Ref. 7)**.

21 During the summer of 2001, many of the round 1 authorities worked with the Local Government Association (LGA), the Housing Inspectorate and others to develop standard documents for use by the authorities and ALMOs. This 'template working group' developed a 'Memorandum and Articles of Association' (the ALMO constitution) and a Formal Agreement (the 'contract' between the authority and ALMO). All round 1 and early round 2 ALMOs have used these documents as the basis for their own arrangements, with variations to suit local circumstances. You can find these documents at *www.ecommunities.odpm.gov.uk*. You will need a password to enter the site; the CHTF will arrange this when you log in.

3

Achieving excellence in housing management: the Housing Inspectorate's framework

22 ALMOs need to obtain a service rating of 'good' from the Inspectorate to access additional ALMO funding. However, we are keen for them to deliver excellent services as part of the shared commitment to continuous improvement. Local authorities and ALMOs can find out what good and excellent services look like by reading our inspection reports; we have published more than 330 and they can be found on the Audit Commission website (*www.housinginspectorate.gov.uk*).

23 In addition, we have published a number of reports which show how authorities can improve the delivery of key service areas. We list these at the end of this guidance. We are also publishing research into the first round of ALMO inspections and reports which identifies some of the key factors which distinguished 'excellent' from 'good' services.

24 We set out below the techniques we use to assess the performance of core housing management services as outlined in ODPM guidance. We are not concerned here with the other housing services delivered by a local housing authority (LHA) such as those linked to the strategic and enabling role, homelessness, housing advice and private sector renovation.

25 Essentially, we judge that a housing management service is excellent if an authority/ALMO manages its stock well, treats its tenants well and delivers value for money. There should also be a high-quality strategy to show how the ALMO will achieve the Government's 'decent homes' target by 2010.

26 However, we have not produced a highly prescriptive and detailed set of conditions that housing authorities and ALMOs must meet to achieve excellence. There are several reasons for this:

- our framework for assessing excellence will evolve over time as our experience develops and the performance of inspected bodies improves;
- what constitutes an 'excellent' service in London will not necessarily be the same as in a rural part of northern England because the housing issues and pressures are different; and
- we do not want to stifle innovation in the sector or see a 'tick box' approach develop for both Best Value reviews and the associated inspection process. We believe these are real possibilities if precise conditions are set for achieving excellence in housing management.

Reaching our judgements

27 The criteria against which we inspect go back to the Best Value framework set out in *Seeing is Believing* **(Ref. 8)** and subsequent revisions. Inspectors reach their judgements by addressing two key questions:

How good are the services being inspected?

What are its prospects for improvement?

28 Underpinning the first judgement we retain the three key questions set out in *Seeing is Believing*. On current performance we ask:

Are the organisation's aims clear and challenging?

Does the service meet the aims?

How does its performance compare (with similar services)?

29 We ask a range of subordinate questions of housing management organisations which can be found in Appendices 1 and 2 of this guidance.

30 The Inspectorate will continue to inspect and 'score' prospects for improvement, including our assessment of governance arrangements. Although it is not directly relevant to the release of additional resources, we believe that it is important to assess the impact of the new ALMO governance arrangements and the new relationship between the LHA and the ALMO (among other issues affecting prospects for improvement). We believe this work will inform ALMOs as they develop their organisation and services. The Government, too, will need reassurance that adequate management and governance arrangements are in place to effectively spend the additional funding it is releasing to ALMOs. Where we assess an ALMO's prospects for improvement as 'poor' or 'uncertain' we will discuss the impact of these with the ODPM.

31 For round 2 ALMO inspections, we have revised the questions we ask to assess prospects for improvement. This incorporates learning from our experience in ALMO and CPA inspections and the re-inspection of 'poor' services. We will in future ask:

What is the evidence of service improvement?

How good are the current improvement plans?

Will improvements be delivered?

32 Appendix 2 shows the range of subordinate questions we ask to assess the prospects for service improvement. For the time being, we will only use these questions during ALMO inspections. It is not always possible to separate inspection issues into either judgement 1 or judgement 2; there are some issues that straddle both. Good examples in an ALMO context are user involvement and performance management issues. We will consider these issues when we review our entire inspection methodology for local authorities, ALMOs and housing associations[I] later this year.

I The Audit Commission will take over responsibility for inspections of Registered Social Landlords (RSLs) and housing associations in April 2003.

33 Appendices 1, 2 and 3 are all written in the style of self-assessment questionnaires and authorities/ALMOs should ask themselves these questions as part of their review processes. When we carry out inspections, we expect to see the outcomes of any such exercises.

Putting tenants first

34 When we review standards of service and performance in local authorities, the experience and perception of service users is critical. Inspectors are required, and trained, to take a user perspective when evaluating the performance of inspected bodies. Our housing inspectors therefore spend much of their time reviewing the performance of landlords as experienced by tenants.[1]

35 All housing inspections of landlord services involve tenant inspection advisers (TIAs) whom we employ to help us assess services from a user perspective. TIAs are local authority tenants who have direct experience of living in council accommodation and of receiving housing services from a local authority landlord. We do not allow them to inspect their own landlord.

36 We have found their understanding of the conditions affecting the delivery of services 'on the ground' invaluable during housing inspections. We give our TIAs appropriate training and guidance to help them undertake the inspection of local authority housing services.

37 Tenants' views of the housing services they receive have a critical influence over our assessments of a housing organisation's performance. But we are aware that the past performance of their landlords and other factors can influence tenants' expectations. We ensure that our inspection teams assess the performance of a housing organisation and the factors that contribute to satisfaction levels objectively, while still giving full consideration to the tenants' views on the performance of their landlord.

38 Housing inspectors mainly use 'reality checks' to assess the quality of service delivered by local authorities and ALMOs. This is the most visible part of the process to councillors, board members, staff and tenants, and is when the inspection will seem to have started in earnest. The inspection team uses its skills and experience to select and tailor reality checks to the local context and the six key questions. A good reality check enables inspectors to gather evidence that helps them answer several questions at the same time. It may help them work back from the outcomes of a service into the organisation to diagnose why a service does (or does not) perform. Additionally, we can use a reality check to illustrate the effect of a particular decision at the point of service delivery.

1 Throughout this guidance the term tenants is used (unless stated otherwise) to cover tenants, leaseholders, other service users and other relevant stakeholders.

39 Reality checks enable inspectors to link strategic plans and policies and performance indicators to outputs and outcomes on the ground. Housing inspectors use a range of reality checks to make the connections that inform their judgements. These include:

- interviews with key politicians/ALMO board members;
- observation of decision-making meetings, including board meetings;
- interviews with key managers (LHA and ALMO);
- meetings with service users in focus groups[I] or on a one-to-one basis;
- observations of service delivery in offices or on site;
- case sampling of complaints, repairs, rehousing and transfers;
- inspection of estates;
- visits to occupied and empty properties;
- focus groups with staff;
- discussions with external stakeholders;
- mystery shopping including the testing of complaint systems; and
- surveys of customer satisfaction.

40 We use reality checks and other techniques to feed into the report that sets out our judgement on the performance of an inspected body **[Exhibit 1]**. The volume and intensity of reality checks we carry out will depend, in part, upon the rigor of the authority's/ALMO's own performance monitoring and management arrangements.

41 The qualitative data generated by these techniques are the key components that help us judge the quality of current services as well as inform inspectors of the likelihood of an organisation achieving further service improvement.

42 An excellent housing management service is user focused and responsive to tenants' needs. The Housing Inspectorate will only deliver an 'excellent' rating if housing services can demonstrate that they have involved tenants in setting, monitoring and reviewing service standards. Tenants would also have shown, through surveys or other means, that they are satisfied with the services being delivered for the rent paid and that they believe service quality will probably improve further still.

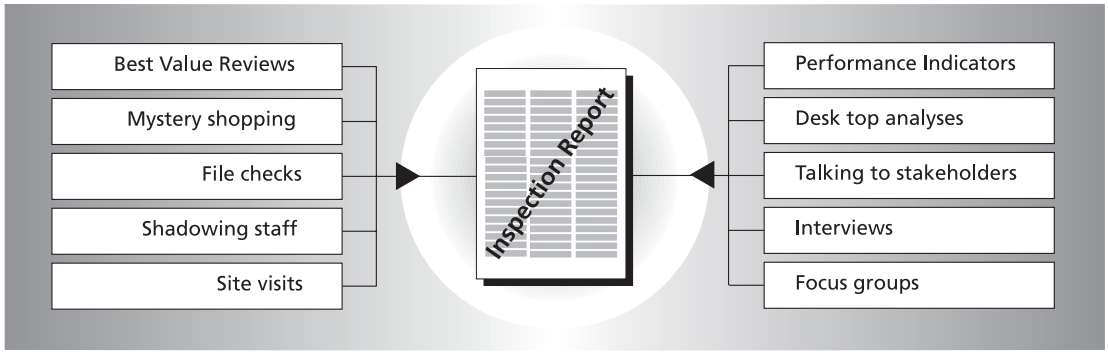
43 Under the Best Value framework, the ODPM has emphasised the importance of measuring tenant satisfaction with services delivered by local authorities and RSLs **(Ref. 9)**. The ODPM has recommended that social housing providers use the Housing Corporation/National Housing Federation STATUS survey **(Ref. 10)** to gauge tenant satisfaction in this way.[II] Indeed, two Best Value performance indicators (BVPIs) have been established based on the STATUS survey. These are the PIs covering satisfaction with the landlord's overall service (BVPI 74) and satisfaction with the opportunities for participation (BVPI 75). The full STATUS survey covers the areas set out below **[Table 1]**.

I In ALMO inspections we will use the results of focus groups less, and random surveys more, as we have found that the implications of the inspection score may affect the outcome of focus group discussions.

II Further guidance for local authorities on using STATUS is contained in the letter to all Housing Directors from the former DETR's Divisional Manager, Homelessness and Housing Management Policy, dated 24 May 2000.

Exhibit 1
The reality check framework

Housing Inspectors use these techniques to assess the performance of housing providers.



Source: *Housing Inspectorate*

Table 1
Tenant satisfaction: issues covered in the STATUS survey

Overall service provided by landlord (BVPI 74)

Value for money of landlord services
Accommodation
Size of property/number of rooms
Condition of property
The area as a place to live (including questions on vandalism, litter, racial harassment and nuisance
Contact arrangements with staff (including ease of contact, helpfulness of staff and satisfaction with outcome)
Repairs service (including appointment arrangements, attitude of workers and speed and quality of work)
Communications (including satisfaction with participation arrangements – BVPI 75)

Source: *Housing Corporation/National Housing Federation*

44 Estimates published by the former DTLR for performance in 2000/01 show that average tenant satisfaction with services provided by landlords was 77 per cent. The average satisfaction level with participation in decision making was 60 per cent. These are the most up to date figures available because local authorities are only required to submit these PIs every three years.

45 Both local authorities and housing associations are being encouraged to use STATUS to gauge satisfaction rates among their tenants. Widespread use of STATUS would help landlords measure their relative performance in enhancing (or at least maintaining) levels of tenant satisfaction. If necessary, landlords can supplement the questions posed under the STATUS framework with ones tailored to local conditions.

46 STATUS does not cover all housing management functions, and even where services are included in the standardised satisfaction survey some issues may need to be explored in more depth. In particular, landlords may want to examine tenant satisfaction in the following service areas:

- allocations and lettings;
- advice on housing benefit and debt counselling;
- arrangements for paying rent and service charges;
- management of void property;
- caretaking; and
- major investment programmes.

47 But surveys are not the only way of gauging the reaction of tenants to landlords' services **[Table 2]**.

Table 2
Examples of methods for collecting tenant views

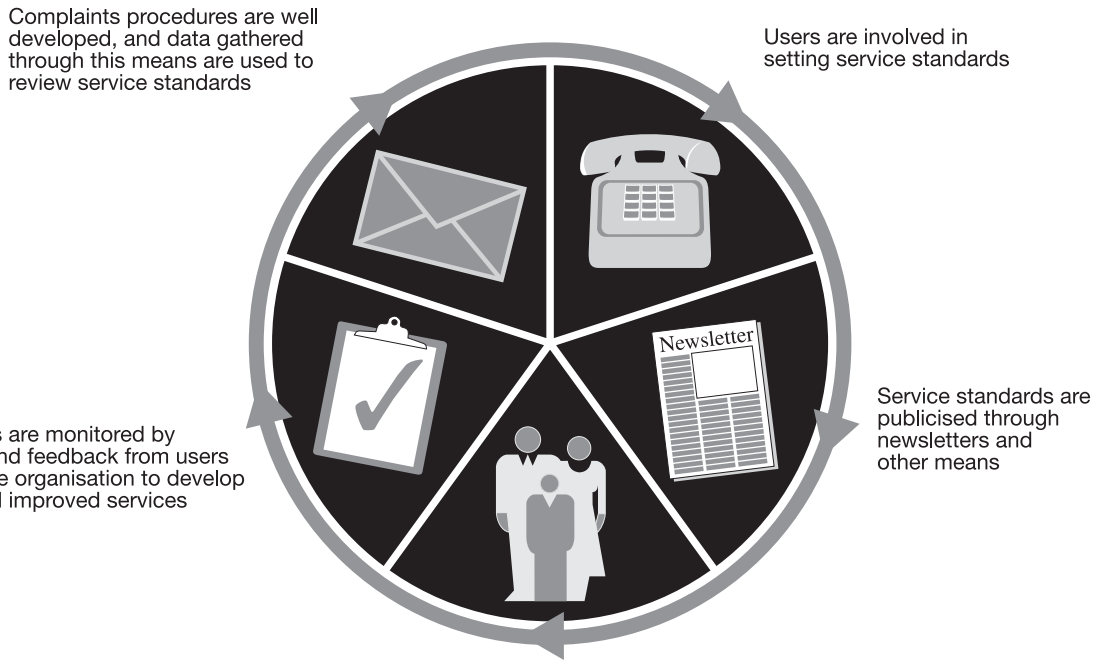
Face-to-face interviews
Mystery shopping
Focus groups by neighbourhood
Focus groups by service area
Interviews of housing applicants
Telephone interviews/surveys
Specific exercises for 'hard to reach' groups (eg some ethnic minorities)
Interviews for tenants using specific services (eg transfers)
'Planning for real' exercises

Source: *Audit Commission, Listen Up! Effective Community Consultation, 1999*

48 Landlords can only deliver excellent housing management services if there are effective consultation procedures. During inspections, landlords need to demonstrate that consultation has informed their decision making, as well as helped to shape policy and deliver service improvements. They should have also used results from consultation exercises to set local performance standards and targets. Such exercises should have helped to improve a service's cost-effectiveness and ensured the service more closely matches tenants' needs, given available resources.

49 Tenants should also have had the opportunity to play their part in the housing service's decision-making processes **[Exhibit 2]**. The authority would have agreed its Tenant Participation Compact with its tenants and, in the case of an ALMO, its partner authority. The authority would also have involved its tenants in its stock options appraisal process and its decision to set up an ALMO.

Exhibit 2
Users' views are critical in helping develop service standards



Source: *Housing Inspectorate*

Delivering excellent housing management services

50 Housing managers in the local authority sector tailor their services to local circumstances within the national framework set by Government. A housing management organisation providing excellent services therefore meets its statutory obligations and complies with relevant regulations and guidance, including the latest policy initiatives.

51 Relevant priorities set by Government would mean that organisations providing excellent housing management services would have the following in place:[I]

- plans to bring all their housing stock up to the Government's decency standard by 2010 **(Ref. 11)**, and to ensure improvement works are sustainable;
- development of contract procurement and efficiency in line with the recommendations of the Egan report **(Ref. 12)**;
- housing management services delivered within a business planning context;
- rents set to comply with the ODPM restructuring framework and show that convergence is possible by 2012 **(Ref. 13)**;
- choice-based lettings system established or being planned;
- Tenant Participation Compacts that give tenants a real opportunity to influence their landlord's decision-making processes in place;
- overall annual cost-effectiveness targets of at least 2 per cent a year are set and being (or close to being) achieved **(Ref. 14)**;
- measures to ensure e-government targets are achieved by 2005;
- plans to implement the recommendations of Policy Action Team 5 report on housing management **(Ref. 15)** in relation to their local circumstances;
- policies and practices that address relevant equality and diversity issues (including the implementation of relevant codes of practice and equality schemes[II] under Race Relations (Amendment) Act 2000; the findings of the Race and Housing Inquiry; and the wider Government work on Community Cohesion **(Refs. 16 and 17)**;
- plans to implement 'Supporting People' arrangements from April 2003 (where relevant); and
- responses to Homelessness Act 2002 duties to carry out reviews and publish strategies to tackle and prevent homelessness

52 During inspections, we would look for evidence that housing management organisations have addressed the needs of various vulnerable groups in local communities (including older people, people with disabilities, those fleeing domestic violence and asylum seekers) and we would also expect to see policies and practices in place that meet the needs of people from any minority ethnic groups in a local authority area. We would expect to find the ALMO and the council building upon the results from the 2001 Census to shape their services.

I We recognise that while all items will be relevant to inspection of a housing authority, they will not all be relevant to an ALMO inspection.

II Including the CRE Code of Practice in Rented Housing. The Inspectorate would expect ALMOs to adopt their own Race Equality Schemes, but would expect them to be based upon the LHA's own existing scheme.

53 National priorities are important but tenants are usually more concerned about the **standard of service** they receive, day in day out, from their landlords. Many of these services should be delivered to the highest standard no matter where a tenant lives or who the landlord is. Examples of services we would expect to be delivered to the highest standard, irrespective of local conditions are:

- advising secure tenants of their rights and responsibilities;
- ensuring all legal processes (such as those associated with the rights to buy, manage and repair) are completed within appropriate timescales;
- handling complaints efficiently and sensitively, and offering redress (where appropriate);
- dealing with correspondence, emails and telephone calls to standards agreed by tenants and their representatives;
- ensuring easy and equal access for all members of the local community, paying particular attention for those whose first language is not English, people with
- disabilities and older people;
- using plain language in all communications with tenants;
- dealing with tenants in a courteous and open way on all occasions;
- producing clear, well-publicised service standards for each element of the housing service;
- involving tenants in discussions on rent and service charge levels and priorities for spending during a period of rent restructuring;
- informing tenants in good time of changes in rent levels and informing them of the range and scope of services provided through rent and other income;
- providing regular rent statements;
- operating an appointments system for repairs and other visits to tenanted properties within an agreed time frame; and
- opening hours for offices and contact centres have been established in conjunction with residents and meet their expectations and needs.

54 But we are also aware that **local conditions** can vary significantly and we make sure that these are recognised when we are reviewing service delivery on the ground. It is therefore important that our inspectors are familiar with local factors that can influence performance. We recognise, for instance, that stock type, stock condition and demand for social housing will vary from area to area.

55 Past investment and procurement decisions by a local authority (and, in some cases, its predecessors) can have a particular bearing on the type and condition of housing stock available to current and future tenants in an area. Housing inspectors take these factors into account when judging the overall performance of a housing management service. In part, we look to inspected bodies to inform us of the local factors that can influence housing management performance on the ground. We will look to see how

an ALMO is going to address such issues and whether it has the real freedom from the council to be able to do so.

56 Local authorities also deliver services within a democratic framework where elected representatives make decisions based on a wide range of factors. Within this context, local authorities have considerable flexibility over how they deliver Best Value services to their communities. Additionally, local social and economic conditions have a major bearing on the approaches adopted by local authorities to deliver improved services in their areas. We understand these issues and take them into account during inspections of housing management services, whether local authorities or ALMOs provide them.

57 Neither can we ignore **governance and management** issues. Excellent housing management organisations are led by people who offer vision for the housing management service and enable staff to do their jobs efficiently and effectively. Governance arrangements (whether in the form of a committee, a board or an executive councillor) set a clear strategic direction for the housing service. We also look for clear strategies with timescales and identified financial resources to meet the organisation's housing management objectives.

58 Staff, tenant and councillor/board member training and development is also critical. Best Value is introducing new approaches to working methods throughout local government and other public services. In addition, the establishment of an ALMO involves significant change and we will be looking at how the ALMO and the council have taken staff through this process using change management techniques.

59 Practices and procedures within inspected bodies are changing and this, inevitably, requires investment in the recruitment, training and development of staff. In a highly competitive labour market with low rates of unemployment, employers have to compete harder to attract and retain staff. There are widespread reports of recruitment and retention problems across local public services, with a range of recruitment and retention initiatives in place. But still it remains a major challenge **(Ref. 18)**.

60 Although local authorities are primarily responsible for ensuring the well-being of local communities, excellent housing management organisations (be they LHAs or ALMOs) actively participate in **regeneration** activity to tackle the problems of deprived neighbourhoods, including crime and social exclusion **(Ref. 19)**. Such organisations work with other housing providers and local social services, education, health and police authorities to further the interests and improve the quality of life of their tenants. Partnership working with community and voluntary groups would be well developed.

61 Checks on service quality are critically important. Our inspectors therefore expect to see **quality assurance** measures in place that set out clearly the aims and objectives of each service area. They also look for quality standards that are both measurable and made explicit to tenants, and which build on feedback from tenants (including their complaints). Inspectors look for evidence that service providers have systems in place that monitor and review the level and quality of services delivered to users.

62 Our primary concern centres on the quality and value of services delivered to tenants and leaseholders living in social housing throughout the country. Essentially, we aim to evaluate the outcomes of a housing organisation's efforts not the detailed processes that generate those outcomes.

Using performance information and plans

63 If an LHA or an ALMO meets the criteria set out in this framework, it is likely to receive an 'excellent' (or 3 star) rating from the Housing Inspectorate. In forming a view on a housing organisation's performance, we use contextual information to help assess whether excellent services are being delivered to tenants. The contextual information we use includes:

- community strategies;
- Best Value Performance Plans (BVPPs);
- corporate, neighbourhood or service plans;
- performance indicators (PIs) including Best Value PIs (housing and relevant corporate BVPIs) and, importantly, PIs developed locally;
- Government Office assessments of local housing authorities in respect of their housing strategy;
- Local Public Service Agreements in relevant service areas;
- inspection reports that have a direct bearing on the delivery of housing management services;
- relevant assessments by external auditors;
- Ombudsman reports in respect of housing services; and
- successful applications for 'Beacon Council' status in directly relevant service areas.

64 The Modernising Government White Paper **(Ref. 20)**, published in March 1999, encourages all public sector organisations to use one of the four main quality schemes. These are the European Foundation for Quality Management Excellence Model, Investors in People, Charter Mark and ISO 9000.

65 All these schemes are useful tools that a local authority could use in its Best Value strategy. Other quality schemes could also help housing organisations deliver better services to their tenants. Landlord organisations may find it helpful to use these accreditation schemes to improve service delivery, but the Inspectorate does not see these as a necessary condition for enhanced performance. Our primary role is to judge the quality of service delivery on the ground and the prospects for further improvement.

66 **Performance indicators** are used to draw comparisons between housing services and to measure trends over time. They are a way of opening up an analysis and

gaining an understanding of the reasons for performance variations. They can also point to areas that require management attention. PIs are not sufficient evidence on which to base our judgements, but a useful starting point. They are used in conjunction with evidence from 'reality checks' from on-site inspections. **Table 3** describes the key purposes for collecting and publishing the BVPIs for housing management services.

Table 3
Best Value Performance Indicators and the delivery of quality housing management services (2002/03 and 2003/04)

Energy efficiency in local authority housing (BVPI 63)
This measures overall energy efficiency including both heat loss from the home and heating system performance. Improving a home's energy efficiency creates a more comfortable living environment, combats fuel poverty and can increase disposable income. There are benefits for the wider environment too. Promoting energy efficiency in housing also helps local authorities meet their obligations under the Home Energy Conservation Act 1995.
Local authority rent collection and arrears: proportion of rent collected (BVPI 66a)
This indicator shows the efficiency of a landlord at collecting rent and managing rent arrears. If landlords do not collect rent or allow arrears to grow, they have to find funding from elsewhere to maintain services. Rent levels can increase as a consequence. Failure to collect rent will also affect a landlord's business plan.
Satisfaction of tenants of council housing with the overall service provided by their landlord (BVPI 74) (results broken down by black and minority ethnic and non-black and minority ethnic)
This indicator shows how local authorities' tenants perceive housing services.
Satisfaction of tenants of council housing with opportunities for participation in management and decision making in relation to housing services provided by their landlord (BVPI 75) (results broken down by black and minority ethnic and non-black and minority ethnic)
This indicator demonstrates the level of satisfaction that tenants have with participation arrangements in their local authorities.
Commission of Racial Equality code of practice on rented housing (BVPI 164)
The code includes procedures for dealing with the service outcomes from the results of ethnic monitoring. By implementing the code fully, landlords demonstrate their commitment to tackling discrimination in their practices and procedures.
The proportion of local authority homes which were non-decent at 1 April 2002, and (b) the percentage change in proportion of non-decent homes between 1 April 2002 and 1 April 2003 (BVPI 184a and b)
The performance indicator shows the proportion of the council's housing stock which falls below the Government's 'decent homes standard' (DHS) which sets minimum standards for the condition of homes. Councils have a target of bringing all of the properties up to the DHS by 2010 so part (b) of this indicator shows their progress towards this target.
Percentage of responsive (but not emergency) repairs during 2002/03, for which the authority both made and kept an appointment (BVPI 185)
This indicator shows how a council manages its responsive (day to day) repairs service appointments service. A customer-focused service will offer appointments for as many repairs as possible and strive to keep those appointments once booked with tenants.

Source: *ODPM, Best Value Performance Indicators for 2002/2003, ODPM February 2002*

67 We will look at the quality of the data that feeds into the PI calculations. This is important as our inspections have identified that some councils are incorrectly calculating a number of key PIs.

68 The Government consults each year on the content and definitions of BVPIs and, subsequent to its announcement of a review of Best Value, reduced the number of national BVPIs from 123 to 97. The Housing Inspectorate would recommend that authorities retain the discontinued BVPIs as local indicators to aid benchmarking over time. Members of the ALMO benchmarking club are using this approach and are monitoring their performance against three old BVPIs **(Table 4)**.

Table 4
ALMO benchmarking club – additional performance indicators

Average re-let times for dwellings let in the financial year (old BVPI 68)
The percentage of urgent repairs completed within government time limits (old BVPI 72)
The average time taken to complete non-urgent repairs (old BVPI 73)

Source: *'HouseMark'*

69 Rounds 1 and 2 and prospective ALMO authorities have set up a national ALMO benchmarking club. They have agreed to collect three sets of data:

- annual in-depth cost, resource and performance data using the 'HouseMark'[I] methodology;
- quarterly performance data, based on a selection of current and old BVPIs; and
- data they submit annually via Housing Strategy and Business Plan
- Statistical returns and quarterly P1 forms.

The PIs they will be comparing are a mix of current and old BVPIs, as shown in Table 4. The ODPM will draw from the work of this club when assessing the effectiveness of the ALMO initiative in improving service delivery.

70 Locally developed PIs also have an important role in helping organisations tailor their housing management services to local conditions. The Audit Commission and the Improvement and Development Agency (IDeA) have been developing a library of local and Quality of Life PIs, following an analysis of the indicators used by authorities under the Best Value framework.[II] Some of the housing management PIs identified in this exercise are reproduced in Table 5. Unlike the BVPIs, these indicators are not mandatory but we would encourage housing management organisations to make use of this type of (or other) indicators according to their local needs and priorities.

I 'Housemark' is an organisation providing good practice information, performance management and benchmarking for social housing.

II See *www.localpi-library@audit-commission.gov.uk* for more details.

Table 5
Local Performance Indicators

Average weekly rent for local authority-owned housing (LIB076)
This indicator allows tenants to compare their rent year on year and with the similar indicator for Registered Social Landlords (LIB077).
Percentage of households living in social rented sector accommodation which is (a) overcrowded (b) under-occupied (LIB079)
This indicator helps authorities to match supply with demand and may indicate where authorities need to take a more proactive approach to lettings.
Number of unfit homes per 1,000 dwellings (LIB052)
This indicator provides data that helps landlords plan their investment strategies. The information is also useful for business planning purposes. Tenants can use the data to monitor year-on-year performance of their landlord in tackling disrepair and unfitness.

Source: *Audit Commission*

71 The Best Value framework under Section 5 of the Local Government Act 1999 and subsequent guidance **(Ref. 14)** sets out the targets Best Value authorities should achieve over a five-year period. Milestone targets should feature in BVPPs and Business Plans. Performance targets indicate to local people how an organisation intends to improve its performance.

72 In setting their targets, LHAs and ALMOs need to have regard to their duty to achieve continuous improvement. They need to take an approach to target setting that balances the cost and quality of improvements with the wishes of local people. Targets need to be challenging yet realistic, and need to take into account formal guidance.

73 We expect organisations delivering excellent housing management services to have at least some of their PIs in the top quartile of the performance range at the time of their inspection. However, as we have said already, PIs are a 'way of opening up an analysis'. In cases where authorities have not achieved top quartile performance, we will consider the local context in which the service operates.

74 It is reasonable for people to expect comparable service quality no matter where they live. But national comparisons will not always be appropriate, particularly if there are good reasons for cost variations between types of authority. The ODPM has therefore grouped local authorities according to type (that is: district, unitary, metropolitan councils and London boroughs) in order to set top-quartile targets for cost and efficiency indicators. The Audit Commission uses these groupings to show comparative performance of local authorities. We use this approach when assessing the performance of local authority housing services and ALMOs, while recognising that local market conditions operate differently both between and within regions.

75 The Inspectorate also uses comparisons with an authority's Chartered Institute of Public Finance Accountants (CIPFA) 'nearest neighbour' grouping. Housing management organisations can select their own peer groupings to help them analyse their relative performance. They need to demonstrate to inspectors that their choice of peers is suitable.

76 Table 6 shows the top quartile performance of local authorities in different groups for PIs covering rent collection, rent losses and repairs services, based on performance in 2001/02. Clearly these figures will change over time and we expect performance to aim to achieve the respective top quartile performance levels.

77 Several BVPIs measure performance on equal opportunity issues. We review the performance of housing organisations against those PIs. In particular we would expect all excellent social housing organisations to follow the Commission for Racial Equality Code of Practice on Rented Housing (Public Sector).

Table 6
Upper quartile for key PIs

2001/02 upper quartiles	London Boroughs	Metropolitan Boroughs	Unitary Authorities	District Councils
Percentage rent collected (current BVPI 66a)	96.2%	96.8%	96.8%	98.6%
Rent loss through voids (old BVPI 69)	1.4%	2.6%	1.3%	0.9%
Average relet time in days (old BVPI 68)	36	43	37	26
Repairs within government targets (old BVPI 72)	95%	95%	96%	96%
Average days to complete non-urgent repairs (BVPI 73)	12	17	13	13

Source: *ODPM and Audit Commission*

78 Inspectors consider ODPM ratings when forming their views on the performance of organisations delivering housing management services. The ODPM primarily scores local authorities for their business planning and housing strategy performance partly to allocate resources under the Housing Investment Programme (HIP) process. However, some elements of the scoring system focus on housing management functions (such as tenant participation) and inspectors take these into account.

79 Local Public Service Agreements (LPSAs), being developed under the Best Value framework, also influence our judgement of performance. Some of these agreements feature the performance of the relevant authority's housing service, whether provided directly or through an ALMO. If an LPSA has been agreed which involves housing, we take into account progress in meeting the LPSA targets.

80 We will probably have inspected all or part of an authority's housing management service before it sets up an ALMO. We review past inspection reports to help shape the focus of our inspection. We will also check progress against any recommendations we made at that time (see also paragraph 106).

81 Each year external auditors undertake reviews of local authority Best Value Performance Plans. Housing inspectors use the external auditors' reports in reaching their judgements on the overall performance of ALMOs and local authority housing services. Where possible, we will try to involve auditors in the ALMO inspection, with a particular focus on governance and performance management arrangements (see also paragraph 110).

82 Inspectors review the reports prepared by the Local Government Ombudsman that comment on the quality of the local housing service. Although Ombudsman cases invariably examine service failure from an individual's perspective, they may reveal service-wide problems as well. Our inspectors review the nature of recent complaints upheld by the Ombudsman in assessing an organisation's housing performance.

4

Inspecting ALMOs

83 The Inspectorate's *ALMO inspections: Housing Inspectorate advice for local authorities and their ALMOs*[I] sets out how we would examine the ALMO's relationship with its partner authority and the strategic management of the ALMO. In examining how ALMOs relate to their local authority partners and organise themselves to deliver housing services, we are – under the Best Value framework – principally focusing on the ALMO's prospects for improvement (the second judgement).

84 Some areas we examine in terms of 'governance' do also contribute to our assessment of current services. For example, the extent to which tenants are involved in the decision-making processes of the ALMO (including through membership of the ALMO's board) and the role of the board and tenants in monitoring current performance.

85 The purpose of this element of our inspection is to reassure us (and a wide range of stakeholders) that the organisational changes following the creation of an ALMO have not and will not adversely affect service delivery. The detailed questions we will be asking during the inspections are shown in Appendix 3, but we will outline some of the key issues here.

The ALMO's relationship with the 'partner' authority

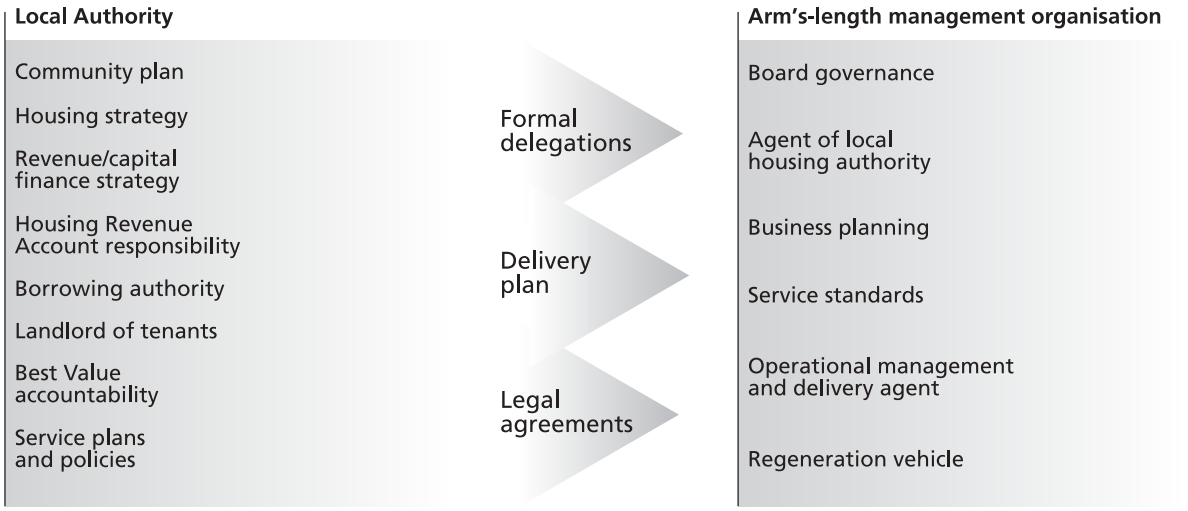
86 A local authority that chooses to create an ALMO (or ALMOs) will retain several functions centrally while delegating others to the ALMO. In its ALMO guidance, the ODPM suggests a range of functions more appropriately retained by the LHA and those suitable for delegation to the ALMO. There is some flexibility if authorities wish to transfer a wider range of functions.

87 Even though an LHA may delegate the delivery of many of its housing services to an ALMO, under Best Value the inspected body remains the local authority. In effect, the ALMO becomes the agent of the local authority and the authority is accountable for its performance **[Exhibit 3, overleaf]**.

88 We will review the effectiveness of the relationship between the ALMO and the LHA, which remains (in law) the tenants' and leaseholders' landlord. At the time the ALMO is set up, first as a shadow body and then with operational responsibilities, the ODPM will have an interest in assessing the nature of the relationship between the LHA and any ALMOs to which housing management functions have been delegated. We will work closely with the ODPM to ensure that our roles are complementary.

I Incorporated as Appendix 3 in this document

Exhibit 3
The relationship between LHA and ALMO



Source: *Audit Commission*

89 We will ask questions about the refinement of corporate strategies, the responsibilities of each party, links between their business plans and strategies, and the LHA's arrangements for monitoring the performance of the ALMO.

The strategic management of the ALMO

90 The ODPM's guidance describes the governance arrangements that ALMOs are likely to follow and makes it clear that ALMOs should be genuinely distinct from the LHA. The CHTF has also produced guidance **(Ref. 21)** on governance and we would expect authorities and ALMOs to follow this guidance or to have sound business or service reasons for not doing so.

91 An inspection will examine evidence that these arrangements are both established and operating effectively to provide the ALMO with the necessary leadership and stewardship, as well as ensuring that the ALMO has sufficient authority to discharge its responsibilities. Again we will ensure that, as far as possible, our role here complements that of the ODPM in evaluating the strategic management of ALMOs.

92 We will look at four general areas:

- the ALMO's constitutional and leadership roles;
- the ALMO's organisational and performance management;
- user involvement; and
- risk management arrangements.

93 The Audit Commission has produced guidance on the auditing issues affecting ALMOs **(Ref. 22)** and will expect ALMOs and LHAs to follow this advice together with the accounting requirements of the Companies Act and guidance produced by CIPFA. ALMO's accounts are audited under the requirements of the Companies Act, and the responsibility for the Housing Revenue Account (HRA) remains with the LHA. It is not the LHA auditor's role to review the ALMO's operational activity, but to assess the audit risk associated with the establishment of the ALMO. The Inspectorate will work closely with the LHA's external auditor to ensure that we do not unnecessarily duplicate work.

94 An integral element of this part of the inspection is scrutiny of ALMO documents (including board minutes) access to which is covered by the Audit Commission Act 1998 (Section 48) and Local Government Act 1999. These will be included in document requests which will be sent to the LHA in advance of the inspection. The inspectors will also wish to observe any ALMO Board meetings which are scheduled during the on-site period – or slightly before or after if our timetable permits.

95 The Inspectorate appreciates that this aspect of inspection will be new not only to the ALMO but also to LHAs which have been inspected before. We would be pleased to make a formal presentation to an ALMO's board members in the months leading up to the inspection. This would cover the background to inspection and the ALMO initiative as well as the 'governance' aspect of the inspection. ALMOs may wish to incorporate this as part of their board training programme.

5

Inspecting housing services in ALMOs: a flexible approach to the inspection process

96 This section of the framework sets out the broad approach we will use when we inspect ALMOs and their local authority partners. We will be as flexible as possible in agreeing the timing of inspections but will not generally carry out an inspection of an ALMO until it has been operating for at least six months. The relevant Lead Housing Inspector will agree the inspection timing in advance with the council and the ALMO.

97 We recognise that local authorities will have devoted considerable thought, energy and effort to creating their ALMOs. This will inevitably be a disruptive period for authorities, ALMOs and their staff. New organisations take time to 'bed down' and it would be unrealistic to expect ALMOs to have resolved all their teething problems just six months after their creation. Our inspectors will take this into account, and we have framed our questions accordingly. As the ALMO concept and practice matures, our expectations of ALMOs are likely to rise.

98 The CHTF has produced its own guidance for LHAs and ALMOs, in particular on governance issues **(Ref. 21)**, and we expect ALMOs to refer to this guidance in establishing their own governance arrangements.

99 The timetable for a prospective round 3 ALMO may look something like the example shown in **Table 7**.

Indicative inspections

100 We would encourage local authorities setting up an ALMO (or ALMOs) to request 'indicative' inspections of their housing management services. Ideally, this should be after the completion of the BVRs of these services but before their transfer to the ALMO. The ODPM requires all key service areas to have been subject to BVR before the ALMO inspection (see paragraph 109).

Table 7
Timetable for establishing an ALMO

Dates	Action
4 April 2003	Express an interest to ODPM
May 2003	ALMO 'shadow' board • starts meeting • starts training programme
16 May 2003	Submit formal 'bid' to ODPM
July 2003	ODPM approve 'bid' and announce conditional funding allocation
September 2003	LHA submit S.27[l] application to ODPM
October 2003	ODPM approve applications
November 2003	ALMO 'goes live', taking over housing management functions
May 2004	ALMO inspection
June 2004	Inspection result announced. If 2 star obtained, LHA draws down additional funding
July/August 2004	Publication of final inspection report

101 The 'indicative' inspection would assess the service, score its performance and identify areas requiring improvement. Such inspections have already enabled some authorities to set a more realistic timetable for their ALMO inspection and identified the key areas of weakness they will need to address to achieve a positive outcome to that inspection. We charge fees for carrying out 'indicative' inspections where they are not included within the audit and inspection fee envelope. Some authorities may choose to prioritise these inspections and have them included as part of their fee envelope. Others may have these inspections funded separately. As such, the council needs to agree these arrangements with their respective Relationship Manager from the Audit Commission.

102 If an authority's housing management service is rated as 'good' or 'excellent' (with at least 'promising' prospects for improvement) and a transfer to an ALMO follows, our ALMO inspection is likely to concentrate on the new organisation's governance arrangements and the quality of its strategic leadership. We would undertake a less intensive inspection of the housing management service to ensure that the service has maintained its high standards and implemented the inspectors' recommendations.

103 Where the 'indicative' inspection covered only part of the housing management service, but achieved a 'good' or 'excellent' rating, the ALMO inspection would be less intensive in this service area only. We would carry out a full inspection of all services not covered by the initial inspection, and the services which we previously assessed to be 'poor' or 'fair'.

l An authority must submit an application to the ODPM for permission to delegate its housing management functions to an ALMO under Section 27 of the Housing Act 1985.

Scoring method

104 An ALMO inspection will deliver a single score for all services delivered by an ALMO. These will generally be the core services outlined in the ODPM's guidance but some ALMOs may undertake activities that are not linked to the delivery of housing management services to tenants. These services could include those associated with the management of the housing register, the assessment of housing need or the management of private sector housing grants. If so, we would also include our assessment of these services within our overall judgement.

Tenant management organisations

105 The same principle applies where tenant management organisations (TMOs) deliver services on behalf of the council. In its overall assessment of the service, the Inspectorate will consider the standard of services delivered to all residents, including members of TMOs. We will take account of the different management relationships in place between LHAs, ALMOs and TMOs. We will take these into account when considering performance management and 'governance' issues.

Partial ALMOs

106 Some local authorities may want to create one or more 'partial ALMOs' covering only a proportion of their stock represented, say, by a district or area office. In these circumstances, we would inspect each ALMO separately. Where services are delivered locally (and those services are subject to a BVR and subsequent inspection) some housing management functions might be delivered from a central base (for example, a departmental headquarters). If so, inspectors would inspect both the services delivered locally and the relevant services supplied from the central office.

107 Where an authority has set up more than one ALMO, it will need to submit single combined annual BVPIs showing overall performance across the authority. This is to ensure that a full and rounded picture of performance is maintained. Each ALMO should consider its own performance separately and should benchmark against other similiar housing organisations. These could be other ALMOs and other organisations of similar sizes using, for example, CIPFA nearest neighbour groups. By doing this, they will be able to address the fact that they are no longer operating as part of one large organisation.

Best Value reviews

108 Authorities or their ALMOs should complete Best Value reviews of all key service areas provided by an ALMO before we inspect the ALMO. This is an ODPM requirement **(Ref. 7)**. If an authority has completed a BVR before the service transfers to an ALMO, we would not expect the new organisation to review the same service

again. We would expect the ALMO to be tackling the service improvements identified in the original review and any subsequent inspection.

109 Reviews carried out in the following areas are most likely to help progress service standards:

- repairs and maintenance (planned and responsive);
- delivery of the capital programme;
- rent collection and arrears recovery;
- estate management; and
- any other service transferred to the ALMO which is not a core housing management service listed within section 3.2 of the ODPM's March 2003 guidance.

Issues such as diversity and equality, tenant participation, access arrangements and value for money are relevant across all service areas and should form part of all service BVRs.

Support services

110 The procurement of support services is an area in which ALMOs have an opportunity to be innovative, to establish their independence and to look for opportunities to reduce costs. In normal circumstances, we will expect round 3 ALMOs to review their support services (such as IT, legal, human resources, transport services) within 12 months of the ALMO being created. This should be sufficient time to assess the actual services they require in an ALMO environment. For round 2 ALMOs, we will expect to see a clear and detailed programme of reviews by the ALMOs in place for these services when we carry out our inspection. However, we would expect more progress in ALMOs that have existed for more than one year.

The Inspection team

111 Wherever possible, the ALMO inspection team will include

- an inspector who has inspected that authority previously;
- an inspector from another region;
- at least one Tenant Inspection Adviser.

The number of inspectors used will depend upon the size of the stock and any previous inspection scores. The Commission's own auditors are also likely to play a role in the ALMO inspections. And we will also try to involve the authority's external auditors in the inspection, with a particular focus on the council's agreement with the ALMO and performance management arrangements. If this is not possible we will as a minimum have a detailed discussion with them about these issues, and review any audit work they have carried out with the authority.

The timing of inspections

112 Inspections only take place after authorities have completed BVRs of key services and after the ALMO has had time to bed down. Our experience suggests that six months is a **minimum** period. During this period the ALMO has an opportunity to demonstrate a record of its own performance which we can then inspect. For an ALMO established in November 2003, the earliest possible inspection is likely to be May 2004. We are not advocating this as a desirable timescale but understand that LHAs and ALMOs will want to draw down their conditional ALMO funding as soon as they can.

113 An ALMO can expect an inspection of their housing services to take between 10 and 16 weeks from the inspection team's arrival 'on-site', depending upon the intensity of the inspection. This includes the on-site inspection, the report presentation, the publication of the score and then the final report. Local authorities and their ALMO partners will need to factor these timescales into their planning.

Internal quality control

114 The Inspectorate has a system of internal quality control, or 'moderation', in which senior inspection staff assess the inspectors' evidence, judgements and report. This process has been enhanced for the ALMO inspections. The moderators will include a minimum of the regional Lead Inspector, the ALMO co-ordinator and one other senior manager. Where 'moderators' are unable to make a clear judgement at their first meeting they probe areas of doubt by requesting and taking account of further information.

Report presentation

115 We introduced new arrangements for the report presentation and the notification of the final judgements **as an option** in round 1 ALMO inspections. These were popular with authorities and we will continue to use them. We will deliver copies of the draft report to the ALMO and the authority and we will invite formal written comments on it. We will agree with the ALMO and the authority whether this is before or after a formal round-table discussion of the report. We have found that this approach generates a productive discussion of the issues arising from the inspection.

116 We will make a presentation to a wider audience if that is the authority's preference or if we believe that this is in the best interests of the local authority, ALMO, its residents and/or other stakeholders.

Notification of scores

117 Once we have considered the authority's comments and decided the final score,[1] we will write to the authority, the ALMO and the ODPM telling them the outcome. We will issue a press release at the same time. The ODPM will regard the date of our letter confirming the award of a 'good' or 'excellent' first judgement as the date on which the ALMO qualifies for additional funding. This will allow successful authorities to draw down the additional capital expenditure several weeks ahead of the report publication date.

Re-inspection

118 If an ALMO inspection produces a judgement lower than ODPM requirements for additional capital funding, the Inspectorate will agree a date for a re-inspection with the authority. We consider that it would be unrealistic for the re-inspection to take place less than six months after the report publication date. This allows a reasonable time for the ALMO to address any performance weaknesses, and for us to programme the necessary re-inspection. A longer timescale may be necessary in some circumstances. The ODPM will inform ALMOs how the need for re-inspection will affect their funding allocation, as the provisional allocation cannot be kept on hold indefinitely.

Fees and other issues

119 Authorities intending to set up ALMOs in the near future and seeking an 'indicative' inspection of their housing management services before the end of 2003 need to discuss their plans with their Lead Housing Inspector as soon as possible. Early notification of local authority intentions will help us to prepare our overall inspection programme for 2003/04 (and beyond) including future ALMO inspections.

120 We will charge additional fees for ALMO inspections. The fees for round 1 and 2 ALMO inspections were based upon the stock size being managed and the score from previous substantive housing management inspections (if any). They varied between £17,000 and £50,000. We are unlikely to calculate round 3 fees in the same way. Local authorities and other interested parties will be advised of the charging arrangements for Round III ALMO inspections when these are finalised.

121 As part of our commitment to service delivery and developing our inspection methods, we commissioned a research study on the first round of ALMO inspections. This report will focus on the positive practice found in the round 1 ALMOs and is available from Spring 2003.

1 The score includes both judgement 1 and judgement 2.

Appendix 1: how good is the service?

KEY QUESTIONS	Stock Investment	Rent collection, dealing with arrears recovery, debt counselling	Tenant Participation	Estate management and allocations
1 Are the organisations aims clear and challenging?				
1.1 Has the organisation challenged the need for the service?	• Are national priorities taken into account? • Is there a local vision for the service? • Are resources being maximised? • Has the organisation challenged the way it plans, delivers and reviews all its investment decisions in conjunction with residents and stakeholders? • Will it have an objective and rigorous appraisal of investment options complete by July 2005? • Is there a well-informed and viable HRA Business Plan? • Is there a clear and real connection between the HRA Business Plan and what actually happens on the ground? • And maintain and sustain it thereafter? • Will the organisation be able to rehabilitate its stock and achieve 'decent homes' standards by 2010? • Is the split between emergency and other response repairs appropriate? • Is the balance between planned and response repairs likely to secure maximum value for money? • Have partnering arrangements been fully explored? • Is it clear to tenants how to order repairs and what service standards they can expect?	• Has the organisation a clear rent-setting policy, which complies with the Government's rent restructuring plans? • What targets have been set? • Has the organisation challenged the way the service is organised? • Is there an appropriate balance between collection services and arrears recovery? • Is it clear to service users how the service works, and how they can pay their rent or service charges? • Have members of council/board members, tenants and other stakeholders been involved in shaping the service? • Has the organisation considered whether other suppliers should provide the service?	• Does the organisation value tenants' input? • Are national requirements being addressed? • In establishing Tenant Participation Compact(s), has the dialogue between the organisation and its tenants challenged the current arrangements? • Is the relationship between the organisation and the tenants one of sharing information, promoting consultation and enabling participation? • How are tenants best supported? • How are tenants and prospective tenants involved in shaping the service? • How are service standards communicated to tenants? • Have tenants and their representatives been effectively trained to enable them to fully participate in the Best Value process?	• Does the organisation have a clear policy on allocations? • Does it meet national expectations? • How are the constituent parts of the housing management service best provided? • What are the priorities for action from a tenant's perspective? • Are tenants' views taken seriously? • Who are the best suppliers of these services and have they been considered? • How is the service best delivered – through estate- based services, locally or from the centre? • Are the service standards clearly explained and understood both internally and externally? • Are the services linked to the business plan?

KEY QUESTIONS	Stock Investment	Rent collection, dealing with arrears recovery, debt counselling	Tenant Participation	Estate management and allocations
1 Are the organisations aims clear and challenging? (cont)				
1.2 Does the service support corporate aims and the community plan?	• Does the organisation's investment approach contribute to the Home Energy Conservation Act Strategy? (HECA) • What is the effect on the environment of product purchasing decisions? • What contribution is made to local economy and employment issues? • How much value is placed on investment that improves community safety?	• Does the service reflect corporate aims? • Is there an appropriate balance between supporting the business and the way the organisation treats its tenants? • Are there links to a broader advice service for those on low incomes?	• Are there links between the arrangements within the organisation and others that take a broader neighbourhood/ community view? • How are hard-to-reach groups dealt with? • Does the Tenant Participation Compact promote an inclusive view of diversity? • Are key service standards available in appropriate ethnic languages?	• What are the links within a neighbourhood between housing management and other service providers such as education, social services, health and welfare benefits? • Is sheltered housing efficient and effective where provided? • Are the connections in relation to community safety strong enough? • What actions are in place to effectively combat racial harassment?
2 Does the service meet these aims?				
2.1 Is there effective performance management?	• How does the organisation track its investment in terms of benefits to customers, impact on its stock condition data, its energy rating information, future lettability and therefore its business plan? • What targets have been set against BVPIs? • Are local performance indicators in use? • Do staff, partners and suppliers know their role and how the overall service fits together? • How well is the organisation geared towards continuous improvement? • What QA systems are in place to ensure the collation of PIs complies with the published definitions? • How are PIs used as an effective tool by officers, tenants and board members to track and identify performance issues? • Are there procedures in place to capture and then use informal complaints as a means of improving services?	• Has the organisation defined national targets (related to BVPI 66) • Are there local performance indicators? • Do the organisation's plans for improvement set out how it is going to turn aims into actions? • What outcomes is it seeking in maintaining and enhancing its income flow? • Have service aims been clearly communicated to staff? • Are staff geared to deliver the service and meet the targets? • Do staff have personal collection/ arrears recovery targets? • How are PIs used as an effective tool by officers, tenants and board members to track and identify performance issues? • Are there procedures in place to capture and then use informal complaints as a means of improving services? • What QA systems are in place to ensure the collation of PIs complies with the published definitions?	• What targets have been set for this service area? • Who set them and who is due to deliver them? • What does BVPI 75 say about performance in this service area? • Does the Tenant Participation Compact have an implementation plan? • Are there procedures in place to capture and then use informal complaints as a means of improving services? • How are PIs used as an effective tool by officers, tenants and board members to track and identify performance issues?	• What are the performance expectations for lettings, caretaking, grounds maintenance and estate management? • Is there effective tenancy management? • What targets have been set? • Who takes part in performance measurement? • Are tenants involved? • Who receives the feedback on performance? • Does the organisation comply with the Commission for Racial Equality code of practice on managing housing (BVPI 164) • Are there procedures in place to capture and then use informal complaints as a means of improving services? • How are PIs used as an effective tool by officers, tenants and Board members to track and identify performance issues?

KEY QUESTIONS	Stock Investment	Rent collection, dealing with arrears recovery, debt counselling	Tenant Participation	Estate management and allocations
2 Does the service meet these aims? (cont)				
2.2 Is the organisation delivering?	• What is the performance? • What are the tenants' views of the investment decisions taken by the organisation and the quality of services it provides to their homes? Have they engaged effectively with the tenants? • How does the organisation deal with service failure? • Is the organisation meeting its business plan requirements on the ground? • Are all gas appliances serviced every year? Are there clear no access procedures that are rigorously monitored and followed to effect entry where this has not been possible? • Are responsive repairs efficient and effective? • What are the trends in customer satisfaction in the key service areas of repairs, voids, planned maintenance and major renewals? • How are tenants' views recorded and are they used?	• Can the organisation demonstrate to users that it is implementing its actions, achieving its targets and delivering its services? • Is the collection of rent due being maximised? • Is performance improving? • Is the organisation delivering its policy on rent arrears recovery? • Do customers feel that its actions are consistent with its policy? • How does the organisation seek out, record and use tenants' views? • How does customer satisfaction for this service compare with others internally and with the same service area in other housing Organisations?	• Are there effective arrangements for tenant consultation and participation? • Does the Tenant Participation Compact deliver what it said it should? • What do tenants think the compact has delivered for them? • What are the monitoring and reporting arrangements for the compact? • How are tenants involved in promoting improvements in each service area? • Are there clear proposals for the development of local TPCs? • How does the ALMO engage with the main body of tenants outside formal TP structures?	• What do tenants think about the services they receive? • Are they getting better or worse? • What benchmarks have been set for measuring improvements? • How are policies turned into practice? • Is there effective management of estates and their environments? • Do tenants feel safer? • Are estates cleaner? • Are homes let easier? • Do tenants stay longer? • What are the trends in demand?
3 How does performance compare?				
3.1 How does the service compare with the top 25%?	• What is the organisation's performance compared with the top 25 per cent (upper quartile)? • Are the targets on repairs, voids and appointments likely to deliver upper-quartile performance by 2005?	• How does the organisation currently compare with the upper quartile? • Are its targets on rent collection and arrears recovery likely to deliver upper-quartile performance by 2005?	• Where does the organisation fit with others in delivering good practice in this area? • What discussions have taken place with other organisations on the involvement of tenants in service improvements?	• Will the organisation reach the upper quartile on relevant BVPIs? • What local performance indicators exist and what are their trends?

KEY QUESTIONS	Stock Investment	Rent collection, dealing with arrears recovery, debt counselling	Tenant Participation	Estate management and allocations
3 How does performance compare? (cont)				
3.2 Has the organisation demonstrated cost effectiveness?	• Does the organisation know how much the commissioning of this service costs? • Has it secured discounts for work that has a long lead time or involves empty properties? • How can it demonstrate value for money? • How are extras controlled? • What inspection regimes does it have before and after works are undertaken? • How has competition in service delivery been demonstrated? Does the service provide demonstrable value for money based on transparent procurement decisions?	• Does the organisation know how much this service costs? • Does it know the split between collection, recovery of arrears and debt counselling? • Has there been any external competition for this service in part or in whole?	• What is the level of resources overall for tenant participation? • How much of this is controlled by tenants and how much by the organisation? • How are outcomes measured by the organisation and by the tenants?	• How do the costs/service standards compare with the best in the field? • What overheads are being levied? • What degree of competition is in place?

Appendix 2: what are the prospects for service improvement?

Questions that housing inspectors will be asking about prospects for service improvements.

Key Question One

What is the evidence of service improvement?

- What action has the organisation taken to implement recommendations from previous inspections, and other improvement work where relevant (external audit, peer review)?
- What action has the organisation taken to implement their own corporate and service improvement plans, whether following a Best Value review (BVR) or otherwise?
- What evidence is there that actions have resulted in clear and discernible benefits for customers of the service?
- What do national and local performance indicators say about service improvements?
- What evidence is there that the organisation is implementing service improvements as a result of learning from its own experience, for example complaints systems, customer surveys and staff suggestions?

Key Question Two

How good are the current improvement plans*?

This is both an assessment of the existence/quality of current plans, but more especially a view about how they were arrived at. This will include:

- How did the organisation use the 4Cs (challenge, compare, consult, compete) to create its improvement plans (regardless of whether they followed a BVR)?
- How self-critical was the 'challenge'?
  - What evidence is there that objectives, policies and practices have been fundamentally challenged?
  - What evidence is there that the organisation has considered carefully the need for all parts of the service or who should provide it?
  - How has the organisation acted on the results of this challenge?

- How thorough was the comparison?
  - What efforts have been made to learn from others? What sort of benchmarking has been undertaken and with which organisations?
  - What did the comparisons tell the organisation about its performance?
  - How has the organisation acted on the results of this work?
- Has the organisation involved all stakeholders?
  - How has the organisation consulted with tenants, other local people and stakeholders, including hard-to-reach groups?
  - How has the organisation acted on the results of this consultation?
- How has the organisation demonstrated the competitiveness of its service?
  - What has the organisation done to test whether any other organisation provides higher quality and/or more cost-effective services in the public, voluntary or private sectors?
  - Has the organisation examined the market for these services and, where there is not one, has it looked into creating a market?
  - Has the organisation explored the range of procurement methods available, including partnership, joint provision with other authorities or agencies, or negotiated tendering?
- What evidence is there that the organisation developed the plans following an agreed corporate methodology?
- Have the plans taken account of changes in the external environment such as recent or forthcoming legislation?
- Do the plans directly address the key service weaknesses and set new objectives for the future?
- What evidence is there that the proposed actions will deliver substantive improvements for customers, that are both challenging and outward focused?
- Are the plans SMART (specific, measurable, agreed, realistic and time-bound)?
  - Do they outline clear responsibilities and accountability for actions?
  - Do they outline the financial, human and physical resource implications?
  - Do they set out clear and feasible targets and timescales for improvement?

Key Question Three

Will improvements be delivered?

- What evidence is there that the organisation has the capacity to deliver improvements? Are the right resources, skills, information technology, partnerships in place, or where there are gaps are there plans to fill them?

- How effective are the organisation's arrangements to implement improvement plans and to ensure they deliver successful outcomes for customers?
  - Are there strong performance management systems in place to ensure the plans are implemented and services meet their stated aims and objectives?
  - How effective are the scrutiny and governance arrangements?
  - Have local performance indicators been developed and how are they being used?
  - How well are risks being managed?
- What evidence is there that the organisation has targeted resources in order to meet stated priorities?
- What evidence is there that key stakeholders 'own' the delivery of these plans and share a common understanding of their meaning?
  - What evidence is there that staff, managers, councillors, board members, contractors, partners and other stakeholders support the plans and are committed to their delivery?
  - To what extent is continuous improvement seen as part of normal working by staff and managers?

It is within the context of **Key Question Three** that we will consider the ALMO's governance arrangements.

Summary of drivers and barriers for improvement

Inspectors will conclude by highlighting the most important **drivers of** and **barriers to** improvement. Inspectors may wish to identify both service-specific and non-service-specific (corporate) drivers and barriers to improvement, as this will shed the greatest light on where the problems (if any) may lie in achieving improvements in service delivery and outcomes for users.

Appendix 3: ALMO inspections: Housing Inspectorate advice for local authorities and their ALMOs

In devising the questions below, initially published in June 2002, we have drawn from a major Audit Commission report that examined the progress of local authorities under the Best Value framework, which came into force in April 2000. This report – *Changing Gear* **(Ref. 23)** – states that the most effective public service bodies have the following:

- councillors and officers committed to improvements;
- clear and consistent organisational priorities; and
- sound performance management systems at the heart of financial and policy planning.

The self-assessment questionnaire below should help ALMOs and their local authority partners prepare for our inspections. Guidance produced by other parties, particularly the Office of the Deputy Prime Minister (ODPM) and its Community Housing Task Force (CHTF), should also help.

Relationship between the local housing authority and the ALMO

The local housing authority (LHA) retains responsibility for the community plan, housing strategy, finance strategy, the Housing Revenue Account (HRA), borrowing authority and property ownership. Formal delegations, Delivery Plans,[1] and legal agreements govern the relationship between the two parties. The purpose of our inspection is to assess the nature and effectiveness of this relationship – focusing (in particular) on its ability to contribute to high-quality and improving services.

Are the LHA's corporate strategies being refined in recognition of the creation of the new body (or bodies)?

Strategies that have been refined or are due to be refined would include those on:

- Best Value Performance Plans;
- Housing Investment Plans;
- crime and disorder, social inclusion and anti-poverty issues; and
- diversity, equality and BME issues.

Have the LHA and the ALMO agreed the responsibilities of each party on relevant strategic and operational matters?

This would include agreement on:

- business planning, risk management, asset management and use of the HRA;

1 The Delivery Plan sets out the agreement between the LHA and the ALMO on the services to be provided by the arm's length body. The most recent advice on the contents of ALMO Delivery Plans was produced by the former DTLR in March 2002.

- data management and protection;
- inspection and internal/external audit arrangements;
- respective roles and responsibilities for Best Value and continuous improvement;
- a communications strategy/protocol between the two bodies;
- personnel issues (including TUPE, staff training and development, staff terms and conditions, trade union matters and diversity and equalities); and
- health and safety issues.

Also, how are conflicts of interest between the two parties minimised or resolved?

Are the links between the LHA's housing strategy, its HRA Business Plan and the ALMO's Business Plan consistent and transparent and have they been fed into a clear set of outcomes agreed with tenants?

Have the LHA and the ALMO agreed their respective responsibilities for preparing and maintaining the HRA?

the LHA's role of reviewing the ALMO's performance against its business and Delivery Plans clear, and are there procedures for dealing with poor performance or non-performance by either party?

- Is the Delivery Plan clear and focused on meeting both national and local objectives?
- Is there an effective mechanism to report variances to the Delivery Plan and have it amended by joint agreement?
- Are delegations under the Delivery Plan clear and effective?

Strategic management of the ALMO

The ALMO focuses on the delivery of high-quality services to tenants and others. Achievement of the Government's decent homes standards is particularly important. Other responsibilities include board governance, acting as an agent of the LHA, business planning, and undertaking other tasks delegated by the LHA and acceptable to the ODPM. The ODPM's guidance **(Ref. 7)** describes the governance arrangements that ALMOs are likely to follow and makes it clear that ALMOs should be genuinely distinct from the LHA.

As part of our inspection, we will examine evidence that these arrangements are both established and operating effectively to provide the ALMO with the necessary leadership and stewardship. We will also look for assurances that the ALMO has sufficient authority to discharge its responsibilities.

This part of our inspection will consider the following questions, which we would, in turn, expect ALMOs to have addressed themselves.

The ALMO governing body: its constitutional and leadership roles

Have delegations from the LHA been established that give the ALMO clear authority and responsibility to fulfil the relevant functions on the LHA's behalf?

Does the ALMO board retain appropriate authority and has this been differentiated from the responsibilities delegated to its officers?

- Does the ALMO operate under the constitutional arrangements set out in the Section 27 delegation agreed with the ODPM? Is it adequately discharging the responsibilities delegated to it under Section 27?
- In the case of a group structure or similar, what delegations have been established to allow local operational freedom but still give the 'partner' ALMO the necessary controls of the group as a whole?
- What are the systems for appointing board members? How do these systems encourage tenant involvement? Is the board representative of the gender, race and age profile of the ALMO's tenants and the broader community served by the body?
- What are the skills and experience of the ALMO board, and does it have the capacity and capability to lead the organisation and direct its affairs? How does the board measure and assess its capabilities?
- What training has the board received and what training is planned?
- How do board members demonstrate that they act in the ALMO's best interests?
- What arrangements are in place to guide the standards of behaviour expected from board members and staff?
- Has the board set clear objectives for the organisation and how has the board demonstrated commitment to those objectives?
- What board member, committee and officer structures has the ALMO devised? How are the roles and responsibilities of board, committee members and officers defined and implemented?
- How does the ALMO, as an employer and provider of key services, promote diversity and equality of opportunity in all its practices? Has the ALMO adopted a Race Equality Scheme?

Organisational and performance management

Are there effective arrangements for securing Best Value including continuous improvement in services?

Has the ALMO prepared a comprehensive Business Plan, which delivers the LHA's own Business Plan (or part of it where there is more than one service provider) with regular and robust reporting arrangements to the LHA and tenants?

Has the ALMO set up a formal review process for its Business Plan (linked to the LHA Business Plan)?

- What arrangements has the ALMO established to secure best value and achieve continuous improvement in service delivery?
- How does the ALMO ensure effective service delivery and value for money? What techniques does the ALMO use to manage and monitor performance?

- What planning processes are employed by the ALMO? How are the ALMO's aims, objectives and strategies reflected in team and individual targets?
- How are the ALMO's policies and procedures developed and how are they communicated to staff? What mechanisms are used to review the ALMO's policies and procedures?
- What systems has the ALMO set up to work with the LHA in the event of performance failure?

User involvement

Has a range of opportunities been established for tenants and leaseholders to participate in the ALMO's management, development and review processes?

- How do users evaluate and influence the ALMO's performance?
- How do users and other stakeholders (where appropriate) influence ALMO decisions about services? Specifically, what access do tenants have to board and committee meetings?
- How does the ALMO communicate with its users and other parties, for example, its staff and its local authority partner? What type of information does the ALMO communicate to its stakeholders?
- How does the ALMO handle complaints from tenants and other parties? How are appeals against ALMO decisions handled?

Risk management

In the original *Framework paper*, we did not refer to the potentially wide range of risks that these new bodies could face. But risk management is obviously a key issue for ALMOs, so below we set out some self-assessment questions on risk that they might like to consider when preparing for inspection.

- What arrangements does the ALMO have to address the risks associated with the following:
  - the health and safety of tenants and staff;
  - its property and its maintenance;
  - its financial viability; and
  - the relationship between the ALMO and its local authority partner?
- What type of financial monitoring information do board members and senior managers receive to enable them to make informed decisions?
- Are systems in place to ensure proper stewardship and performance management of the ALMO's finances?
- What internal and external audit arrangements have been established to ensure that the ALMO has sound financial controls and accounting policies and complies with legislation and all agreements between the ALMO and its LHA?

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Other relevant Audit Commission publications

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Equality and Diversity, Audit Commission, May 2002.

Housing After Transfer: The Local Authority Role, Audit Commission, November 2002.

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Glossary of terms

Arm's length management organisation – ALMO
A Government initiative whereby the council retains ownership of its properties but their management is carried out by a separate organisation.

Beacon status
A Government initiative to recognise high-performing council services.

Best Value Performance Indicators
Government-set indicators that councils must publish each year.

Capital receipts
Money received from the sale of capital assets, such as council hoousing.

Capital repairs /programme
Money spent on repairs that increases the value of the property and thus delivers a lasting benefit over a number of years.

Charter Mark
The Charter Mark scheme aims to help public sector organisations make real improvements in the delivery of services, from the point of view of service users.

'Choice' agenda
A number of pilots funded by the Department of Transport, London and the Regions (DTLR, now ODPM) to promote choice for applicants in the allocation of housing.

CIPFA
Chartered Institute of Public Finance Accountants.

Commission for Racial Equality (CRE) code
The aims of this code are, first, to provide detailed guidance on the operation of the Race Relations Act 1976 in relation to the field of rented housing and the elimination of racial discrimination, and second, to give examples of good practice in the implementation and promotion of equal opportunities. The code was produced before the Race Relations (Amendment) Act 2000 was passed. Public landlords have new duties under the amended Act.

Decent Homes standard
A 'decent home' is one that meets the current statutory minimum standard for housing, is in a reasonable state of repair, with reasonably modern facilities and services and provides a reasonable degree of thermal comfort. All homes in the social housing sector must meet this standard by 2010.

DETR
Department of the Environment, Transport and the Regions (DETR) subsequently becoming the Department of Transport, Local Government and the Regions (DTLR).

DTLR
Department of Transport, Local Government and the Regions. Its housing functions are now located within the Office of the Deputy Prime Minister (ODPM).

Egan Report
Department of Environment, Transport and the Regions, Rethinking Construction: Report of the Construction Task Force to the Deputy Prime Minister. The report contains proposals for the construction industry which radically alter contractual arrangements with the aim of achieving greater efficiency.

Estate Action
Government funded initiatives to regenerate deprived council housing estates.

E-government
The key objectives of e-government are to increase the level of service provided to the community and to drive down costs and increase efficiency through the use of information communication technology (ICT).

Fitness standard
A legally defined standard of property condition.

GOs
Regional Government Offices.

HouseMark
This is a joint venture between the Chartered Institute of Housing and the National Housing Federation (NHF) that gives internet access to good practice information, performance management and benchmarking tools.

Housing needs survey
A survey that assesses the extent and pattern of housing need in an area.

Housing Revenue Account (HRA)
A separate account used only for council housing.

Investors in People (IiP)
A national standard for the training and development of people in the workplace.

Large scale voluntary transfer (LSVT)
All or part of a council's properties are transferred to another organisation, usually a registered social landlord.

Leaseholder/Lessee
Usually an owner-occupier who has permission (a lease) to occupy the property on certain conditions. In social housing, leaseholders lease their properties from local authorities or housing associations.

Local Strategic Partnerships (LSPs)
Local Strategic Partnerships are a mechanism for joining up public services at an authority wide level. Their purpose is to bring together public, private, voluntary and community sectors in a single overarching local co-ordination framework.

ODPM
Office of the Deputy Prime Minister.

Policy Action Teams (PATs)
Eighteen PATs were set up, in the late 1990s, under the Social Exclusion Unit to take forward an intensive programme of policy development. The teams were made up of civil servants and outside experts from a range of backgrounds with experience of working and living in deprived neighbourhoods.

Private Finance Initiative (PFI)
A Government initiative, introduced in the early 1990s, to enable private developers to provide or improve property, which is then leased back to the public sector. Extended to include housing refurbishment schemes in 1998.

Public Service Agreements (PSAs)
PSAs form an integral part of the Government's spending plans. PSAs set out each department's aim, objectives and key outcome targets for improved performance in public services. There are both national and locally negotiated PSAs. The decent homes target is a key housing PSA target.

Registered social landlord (RSL)
A landlord, often a housing association, registered with a Government body with responsibility for social housing – in England, this is the Housing Corporation.

Renovation grants
Renovation grants are means tested financial assistance provided by councils to landlords, owner occupiers and tenants (with repair liabilities) to repair and improve their properties.

Rent restructuring
A new system to calculate rents that is being introduced by the Government. The objective is to secure broadly comparable rents for local authorities and housing associations in different local authority areas by 2012.

Right to buy (RTB)
Programme to enable tenants to purchase their home at a discounted rate.

Right to Repair
A right to compensation for secure council tenants if specified small repairs are not carried out within prescribed timescales.

SAP rating
Standard Assessment Procedure, a measure of energy efficiency.

Service level agreement (SLA)
Agreement between two organisations/departments covering the services provided by one to the other.

Social Exclusion Unit (SEU)
The SEU was set up in 1997 to develop integrated and sustainable approaches to the problems of the worst housing estates, including crime, drugs, unemployment, community breakdown and bad schools. Since May 2002, the SEU has been located within the ODPM.

Single capital pot
Since 2000, councils' previously separate budgets for housing have been combined giving greater discretion as to how the money is spent. This excludes money spent on council housing.

SMART
Specific, Measurable, Agreed, Realistic and Time-bound.

STATUS survey
The Government requires landlords to carry out tenant satisfaction surveys every three years using the STATUS methodology. This has been jointly developed by the Housing Corporation and the National Housing Federation.

Stock condition survey
A survey that looks at the physical condition and elements of a building, including disrepair, and facilities such as heating.

Supporting People
This is the Government's long-term policy to enable local authorities to plan, commission and provide quality support services which help vulnerable people live independently in the community. The aim of the Supporting People Programme is to establish a new integrated policy and funding framework to replace the current complex and unco-ordinated arrangements for providing housing related support services for vulnerable people.

Tenant management organisations (TMOs)
Voluntary organisations, run by tenants, set up to take on the management of council homes.

Tenant participation compacts
Agreements between councils and their tenants that set out how tenants can get involved collectively in local decisions on housing matters that affect them, what the council and their tenants want to achieve through the compact, such as improving local services, and how the compact will be implemented and monitored to make sure it works properly.

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